SA SA INTERNATIONAL HOLDINGS LIMITED
莎莎國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 178)

Interim Results for the six months ended 30 September 2017
Dividends and Closure of Books

Highlights

- The Group's turnover increased by 1.6% from HK$3,602.1 million to HK$3,659.9 million
- Retail sales in Hong Kong and Macau increased by 2.2% from HK$2,881.9 million to HK$2,945.7 million
- Profit for the period was HK$109.9 million, an increase of 14.5% from HK$96.0 million for the same period last year
- Basic earnings per share were 3.7 HK cents as compared to 3.3 HK cents for the same period last year
- The Board resolved to declare an interim dividend of 3.5 HK cents per share, payable in cash with a scrip dividend alternative

The board of directors of Sa Sa International Holdings Limited (the "Board") has pleasure in presenting the unaudited condensed consolidated interim financial information of the Company and its subsidiaries ("Group") for the six months ended 30 September 2017. The unaudited condensed consolidated interim financial information has been reviewed by the Audit Committee of the Company and the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information will be included in the interim report for distribution to shareholders.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 September 2017 HK$'000	2016 HK$'000 Restated
Turnover	4	**3,659,891**	3,602,117
Cost of sales	6	**(2,108,182)**	(2,097,055)
Gross profit		**1,551,709**	1,505,062
Other income	5	**49,355**	55,873
Selling and distribution costs	6	**(1,313,811)**	(1,275,991)
Administrative expenses	6	**(155,972)**	(161,912)
Other gains /(losses) - net		**1,616**	(28)
Operating profit		**132,897**	123,004
Finance income		**5,028**	5,268
Profit before income tax		**137,925**	128,272
Income tax expense	7	**(27,988)**	(32,288)
Profit for the period attributable to owners of the Company		**109,937**	95,984
Earnings per share for profit attributable to owners of the Company for the period (expressed in HK cents per share)	8		
Basic		**3.7**	3.3
Diluted		**3.7**	3.3

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Profit for the period	**109,937**	95,984
Other comprehensive income / (loss)		
Items that may be reclassified to profit or loss		
Cash flow hedges, net of tax	**(354)**	(1)
Currency translation differences of foreign subsidiaries recorded in translation reserve	**14,327**	(8,858)
Other comprehensive income / (loss) for the period, net of tax	**13,973**	(8,859)
Total comprehensive income for the period attributable to owners of the Company	**123,910**	87,125

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2017 HK$'000**	Audited 31 March 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**335,980**	284,242
Rental deposits, prepayments and other assets		**149,584**	150,680
Deferred tax assets		**7,284**	13,620
		492,848	448,542
Current assets			
Inventories	10	**1,222,404**	1,221,794
Trade receivables	11	**73,635**	67,076
Other receivables, deposits and prepayments		**230,380**	222,940
Time deposits		**606,819**	513,024
Cash and cash equivalents		**590,845**	455,701
		2,724,083	2,480,535
LIABILITIES			
Current liabilities			
Trade payables	12	**409,526**	313,913
Other payables and accruals		**364,569**	291,792
Income tax payable		**39,239**	44,871
		813,334	650,576
Net current assets		**1,910,749**	1,829,959
Total assets less current liabilities		**2,403,597**	2,278,501
Non-current liabilities			
Retirement benefit obligations		**6,135**	6,588
Deferred tax liabilities		**247**	327
Other payables		**53,900**	52,420
		60,282	59,335
Net assets		**2,343,315**	2,219,166
EQUITY			
Capital and reserves			
Share capital		**299,444**	299,444
Reserves		**2,043,871**	1,919,722
Total equity		**2,343,315**	2,219,166

Notes:

1. **Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 September 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2017 ("2017 Annual Financial Statements"), which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. **Accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

a) Amendments to standards mandatory for the first time for the financial year beginning 1 April 2017 and were early adopted in prior years

- HKAS 7 (Amendment), "Statement of cash flows - disclosure initiative"

- HKAS 12 (Amendment), "Recognition of deferred tax assets for unrealised tax losses"

b) Amendment to standard mandatory for the first time for the financial year beginning 1 April 2017 and was not early adopted in prior years

- HKFRS 12 (Amendment), "Disclosure of interest in other entities"

The Group has adopted the amendment and the adoption of the amendment did not have significant impacts on the Group's financial position and results as of and for the six months ended 30 September 2017.

c) Early adoption of amendments to standards and interpretations for the six months ended 30 September 2017 where early adoption is permitted

- HKAS 28 (Amendment), "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 April 2018). The amendment is part of the annual improvements to HKFRSs 2014-2016 cycle. HKAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). This election should be made separately for each associate or joint venture at initial recognition.

  The early adoption of HKAS 28 (Amendment) does not have any impact to the Group as the Group is not classified as venture capital organisations, mutual funds, unit trusts or similar entities and it does not have any investments in associates or joint ventures.

2. Accounting policies (continued)

c) Early adoption of amendments to standards and interpretations for the six months ended 30 September 2017 where early adoption is permitted (continued)

- HK (IFRIC) 22, "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after 1 April 2018). This interpretation clarified the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

  The early adoption of HK (IFRIC) 22 does not have significant impact to the Group as the Group does not have significant amount of advance consideration receive or pay during the period.

- HK (IFRIC) 23, "Uncertainty over income tax treatments" (effective for annual periods beginning on or after 1 April 2019). This interpretation clarified how the recognition and measurement requirements of HKAS 12 "Income taxes", are applied where there is uncertainty over income tax treatments.

  The early adoption of HK (IFRIC) 23 does not have any impact to the Group as the Group does not have significant uncertainty over income tax treatments.

d) The following new and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2017 and have not been early adopted

- HKFRS 1 (Amendment), "First time adoption of HKFRS" (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 9, "Financial instruments" (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 15, "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 15 (Amendment), "Clarification to HKFRS 15" (effective for annual periods beginning on or after 1 April 2018)
- HKFRS 16, "Leases" (effective for annual periods beginning on or after 1 April 2019)

HKFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

2. Accounting policies (continued)

***HKFRS 9, "Financial instruments"* (continued)**

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be necessary to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group is yet to undertake a detailed assessment on the relevant impact of such amendments to our hedging transactions.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. The Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15, "Revenue from contracts with customers"

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;
(2) Identify separate performance obligations in a contract;
(3) Determine the transaction price;
(4) Allocate transaction price to performance obligations; and
(5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control.

Currently, revenue from the slide display rental income is recognised over time, whereas revenue from the sales of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements by identifying the separate performance obligations in the contracts with customers and allocating the transaction prices, which could affect the timing of the revenue recognition. Management will make more detailed assessment of the impact over the next six months.

2. Accounting policies (continued)

HKFRS 16, "Leases"

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$1,643,589,000 (31 March 2017: HK$1,693,392,000). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Apart from aforementioned HKFRS 9, HKFRS 15, and HKFRS 16, the directors of the Company are in the process of assessing the financial impact of the adoption of the above new and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when it is appropriate to do so.

e) As disclosed in Note 2(iv) of Significant Accounting Policies to 2017 Annual Financial Statements, the Group has revisited its arrangements with its suppliers and considered incentives received from suppliers for which the Group did not provide any separable identifiable promotion services, should be accounted for as a reduction of its cost of sales. Adjustments have been made to reclassify the comparative information to conform with the current period presentation. There were no net impact on the profit for the six months ended 30 September 2016 and the balance sheet position as at 30 September 2016. The nature and amounts of the adjustments are summarised as follows:

   (i) certain suppliers' incentives amounting to HK$25,881,000 which was previously recognised within "turnover" for the six months ended 30 September 2016 is now offset against "cost of sales"; and

   (ii) certain suppliers' incentives amounting to HK$10,857,000 which was previously recognised within "selling and distribution costs" for the six months ended 30 September 2016 is now offset against "cost of sales".

2. Accounting policies (continued)

e) (continued)

The impact on the condensed consolidated interim income statement for the six months ended 30 September 2016 is presented as below:

	2016/17 HK$'000
Decrease in turnover	25,881
Decrease in cost of sales	36,738
Increase in gross profit	10,857
Increase in selling and distribution costs	10,857

3. Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2017, with the exception of changes in estimates that are required in determining the provision for deferred revenue on customer loyalty programme.

As at 30 September 2017, deferred revenue for customer loyalty programme amounted to HK$12,012,000. The amount of deferred revenue recognised in each period fluctuates according to various factors including changes in estimated redemption rates and fair values of the redemption gifts.

The actual experience and the level of these deductions to revenue may deviate from the estimates. The Group reviews its estimates every twelve months and may adjust them in a subsequent period by referencing to the actual values experienced in prior periods and in accordance with the applicable commercial changes in the details of the customer loyalty programme.

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors of the Group who make strategic and operating decisions.

4. Segment information (continued)

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results. As E-commerce qualifies as reporting segment, the comparatives have been restated. Business reportable segments identified are Hong Kong & Macau, Mainland China, E-commerce and All other segments. All other segments refer to segments results from markets in Singapore, Malaysia and Taiwan.

Segment assets consist primarily of property, plant and equipment, deferred tax assets, inventories, receivables, deposits and prepayments, time deposits and cash and cash equivalents. Capital expenditure comprises additions to property, plant and equipment.

The breakdown of key segment information including total turnover from external customers is disclosed below.

	Six months ended 30 September 2017				
	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**E-commerce HK$'000**	**All other segments HK$'000**	**Total HK$'000**
Turnover	2,983,613	138,266	177,120	360,892	3,659,891
Segment results	149,553	(7,527)	(16,320)	(15,769)	109,937
Other information					
Capital expenditure	90,792	5,570	1,344	8,332	106,038
Finance income	4,177	180	25	646	5,028
Income tax expense /(credit)	30,269	-	(5,637)	3,356	27,988
Depreciation	30,657	4,452	1,232	12,457	48,798
Provision/(reversal of provision) for slow moving inventories and shrinkage	9,952	(1,026)	(40)	4,330	13,216
Impairment of property, plant and equipment	1,066	323	-	2,378	3,767

4. Segment information (continued)

	Six months ended 30 September 2016 (Restated)				
	Hong Kong & Macau HK$'000	Mainland China HK$'000	E-commerce HK$'000	All other segments HK$'000	Total HK$'000
Turnover	2,915,714	135,027	188,405	362,971	3,602,117
Segment results	162,676	(13,716)	(33,928)	(19,048)	95,984
Other information					
Capital expenditure	22,470	2,320	822	11,822	37,434
Finance income	4,279	172	4	813	5,268
Income tax expense /(credit)	35,110	-	(6,660)	3,838	32,288
Depreciation	32,087	5,237	1,053	14,839	53,216
Provision /(reversal of provision) for slow moving inventories and shrinkage	5,847	(223)	7,220	6,003	18,847
Impairment of property, plant and equipment	3,137	560	-	1,797	5,494

	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**E-commerce HK$'000**	**All other segments HK$'000**	**Total HK$'000**
At 30 September 2017					
Non-current assets	**404,875**	**17,024**	**3,319**	**67,630**	**492,848**
Current assets	**2,166,971**	**134,264**	**114,278**	**308,570**	**2,724,083**
					3,216,931
At 31 March 2017					
Non-current assets	353,243	15,487	3,207	76,605	448,542
Current assets	1,884,871	152,270	151,726	291,668	2,480,535
					2,929,077

5. Other income

	Six months ended 30 September 2017 HK$'000	2016 HK$'000
Slide display rental income	**32,254**	31,404
Sub-lease income	**17,101**	24,469
	49,355	55,873

6. Expenses by nature

	Six months ended 30 September 2017 HK$'000	2016 HK$'000 Restated
Cost of inventories sold	**2,094,966**	2,078,208
Employee benefit expenses (including directors' emoluments)	**559,041**	521,168
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**471,679**	468,514
- contingent rent	**29,175**	27,509
Advertising and promotion expenses	**56,100**	54,833
Building management fees, government rent and rates	**56,074**	45,778
Depreciation of property, plant and equipment	**48,798**	53,216
Transportation, storage and delivery charges	**34,270**	51,059
Utilities and telecommunication	**29,536**	31,605
Repair and maintenance	**20,126**	20,350
Sub-lease expenses	**16,202**	23,726
Provision for slow moving inventories and shrinkage	**13,216**	18,847
Impairment of property, plant and equipment	**3,767**	5,494
Write-off of property, plant and equipment	**3,436**	1,334
Donations	**3,345**	2,107
Auditors' remuneration		
- audit services	**1,741**	1,852
- non-audit services	**387**	463
Others	**136,106**	128,895
	3,577,965	3,534,958
Representing:		
Cost of sales	**2,108,182**	2,097,055
Selling and distribution costs	**1,313,811**	1,275,991
Administrative expenses	**155,972**	161,912
	3,577,965	3,534,958

7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Current tax		
- Hong Kong profits tax	**7,533**	19,251
- Overseas taxation	**13,973**	12,778
Deferred tax relating to origination and reversal of temporary differences	**6,482**	259
	27,988	32,288

8. Earnings per share

(a) Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under the Share Award Scheme during the period.

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Profit attributable to owners of the Company	**109,937**	95,984
Weighted average number of ordinary shares in issue less shares under the Share Award Scheme during the period (thousands)	**2,993,130**	2,888,928

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held under the Share Award Scheme during the period. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 30 September 2017 has been included in the number of shares.

8. Earnings per share (continued)

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Profit attributable to owners of the Company	**109,937**	95,984
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**2,993,130**	2,888,928
Adjustment for share options and awarded shares (thousands)	**714**	1,773
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,993,844**	2,890,701

9. Dividends

	Six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Interim, declared – 3.5 HK cents (2016: 5.0 HK cents) per share	**105,789**	148,043
Special, declared – Nil (2016: 4.0 HK cents) per share	**-**	118,434
	105,789	266,477

At a meeting held on 23 November 2017, the Directors declared an interim dividend of 3.5 HK cents per share. The interim dividend will be payable in cash with a scrip dividend alternative. This declared dividend is not reflected as dividend payable in this condensed consolidated interim financial information, but will be recognised in shareholders' equity in the year ending 31 March 2018.

10. Inventories

	Unaudited 30 September 2017 HK$'000	Audited 31 March 2017 HK$'000	Unaudited 30 September 2016 HK$'000
Gross inventories	**1,300,248**	1,314,648	1,475,388
Less: Provision	**(77,844)**	(92,854)	(109,074)
	1,222,404	1,221,794	1,366,314

11. Trade receivables

The Group's turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 120 days. The ageing analysis of gross trade receivables by invoice date is as follows:

	Unaudited 30 September 2017 HK$'000	Audited 31 March 2017 HK$'000	Unaudited 30 September 2016 HK$'000
Within 1 month	**57,773**	48,674	52,032
1 to 3 months	**14,364**	9,609	5,258
Over 3 months	**2,242**	9,840	2,016
	74,379	68,123	59,306

The carrying amounts of trade receivables approximate their fair values.

12. Trade payables

The ageing analysis of trade payables by invoice date is as follows:

	Unaudited 30 September 2017 HK$'000	Audited 31 March 2017 HK$'000	Unaudited 30 September 2016 HK$'000
Within 1 month	**280,544**	201,714	385,482
1 to 3 months	**115,316**	96,992	150,265
Over 3 months	**13,666**	15,207	28,368
	409,526	313,913	564,115

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION & ANALYSIS

For the six months ended 30 September 2017 (“period”), the Group’s turnover amounted to HK$3,659.9 million, representing an increase of 1.6% from HK$3,602.1 million for the six months ended 30 September 2016 (“previous period”). Retail sales in Hong Kong and Macau increased by 2.2% from HK$2,881.9 million to HK$2,945.7 million.

The Group’s profit for the period was HK$109.9 million, representing an increase of 14.5% from HK$96.0 million for the previous period. Basic earnings per share amounted to 3.7 HK cents as compared to 3.3 HK cents for the previous period. The Board resolved to declare an interim dividend of 3.5 HK cents (2016: 9.0 HK cents (interim: 5.0 HK cents and special: 4.0 HK cents)) per share, payable in cash with a scrip dividend alternative. The Group consolidated its retail network and the number of stores remained the same as the previous period at a total 283.

The Group is a constituent member of the Hang Seng Composite MidCap Index and has been a constituent member of Hang Seng Corporate Sustainability Benchmark Index since 2011. On 8 June 2015, the Group was included in the Hang Seng High Dividend Yield Index. It has also been an eligible stock for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect since 2014 and 2016 respectively.

Market Overview

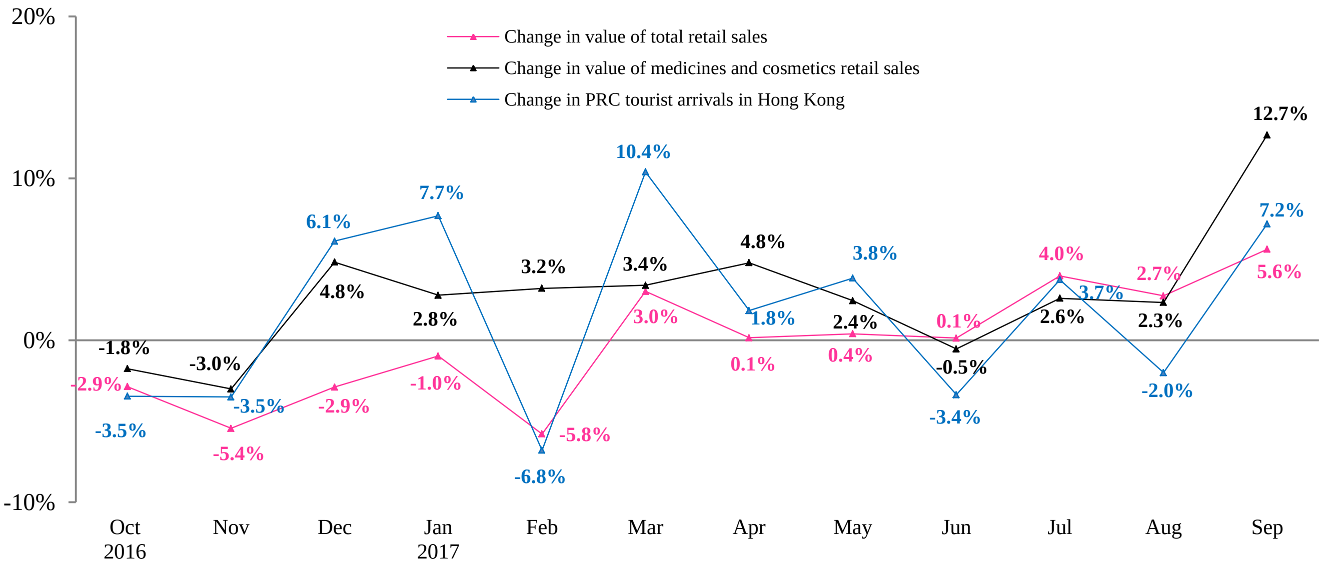
Retail Sales / Cosmetics Retail Sales in 2017 (year-on-year change)

Market	Retail sales change	Cosmetics retail sales change
Hong Kong	2.1% (Apr – Sep)	3.9% (Apr – Sep)
Mainland China	10.4% (Jan – Sep)	12.1% (Jan – Sep)
Singapore	1.7% (Apr – Sep)	4.9% (Apr – Jun)
Malaysia	12.8% (Apr – Sep)	Note 1
Taiwan	0.8% (Apr – Sep)	3.3% (Apr – Sep)

Note:

1) *There were no cosmetics retail sales statistics provided by the Malaysian Government.*
2) *All of the above data were sourced from the corresponding governments' statistics bureaus.*
3) *There are some inconsistencies in definition and survey methodology for cosmetics retail sales by different government statistics bureaus.*

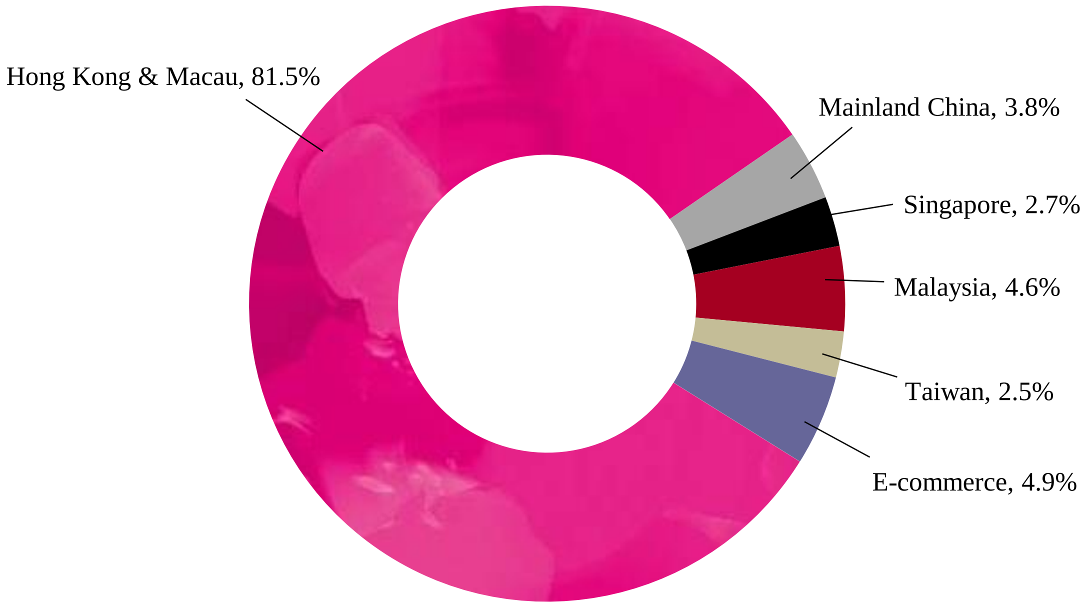
Retail Sales Performance in Hong Kong and PRC Tourist Arrivals in Hong Kong (year-on-year change)



Source: Hong Kong Census and Statistics Department & Hong Kong Tourism Board

Retail and Wholesale Business

1st Half FY17/18 Turnover Mix by Market

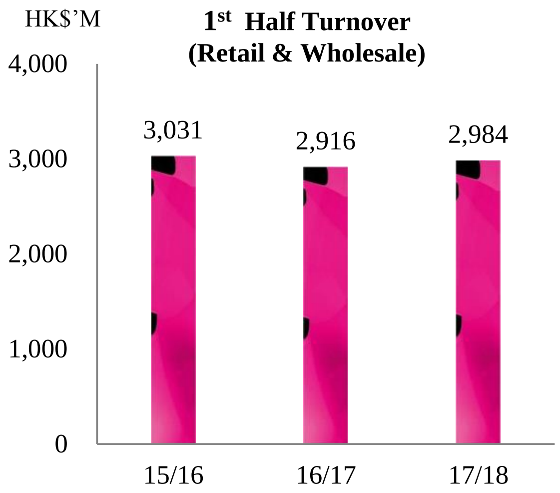


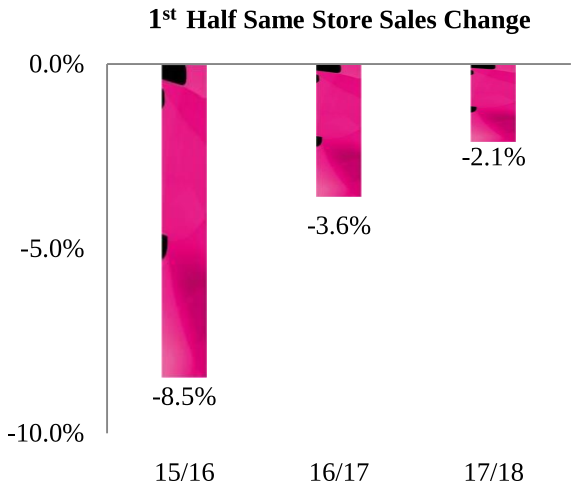
Store Network By Market

Multi-brand "Sasa" Stores	As of 31 Mar 2017	Opened	Closed	As of 30 Sep 2017
Hong Kong & Macau	115	6	6	**115**
Mainland China	56	4	6	**54**
Singapore	20	0	1	**19**
Malaysia	70	4	1	**73**
Taiwan	25	0	4	**21**
Total	286	14	18	**282**

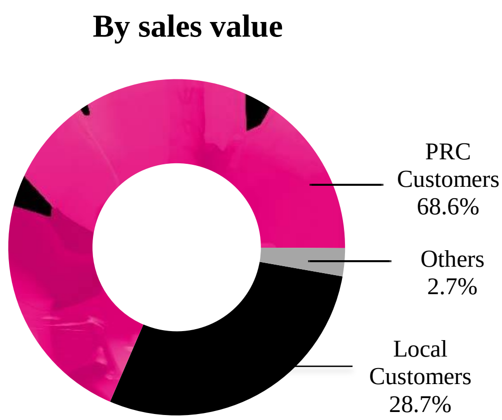
Note:
As at 30 September 2017, there was one single-brand store in Hong Kong & Macau, totaling 283 retail outlets for the Group.

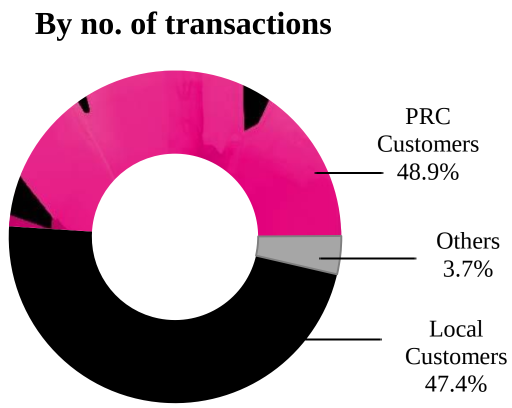
Hong Kong and Macau





Customer Mix (1st Half FY17/18 Retail Sales)





Against a backdrop of a 4% rise in Hong Kong's GDP during the period, the Group's retail sales in Hong Kong and Macau increased by 2.2%, with same store sales falling 2.1% in comparison to the previous period. The number of transactions by local and Mainland Chinese customers decreased by 0.8% and 1.6% respectively, while their average sales value per transaction increased by 4.5% and 3.3% respectively.

Although the Hong Kong retail market has shown signs of recovery, with the flow of Mainland tourist arrivals stabilising, the Group adopted a comparatively cautious inventory management measure earlier to facilitate operations during the relocation of our warehouse in the first half of year. The inventory measure prevented our sales from capturing the full potential of the market. In addition, competition continued to intensify within the cosmetics industry. The number of transactions by both local and Mainland tourist customers declined.

Nevertheless, the average sales per transaction in our Hong Kong and Macau markets began to increase from the first quarter onwards. This was mainly due to a rise in the average sales per transaction of both local customers and Mainland tourists, indicating the strength of consumer purchasing power. In addition, some consumers switched from Korean products to other higher-priced products.

Our expansion strategy helped to enhance the competitiveness of the Group's retail network. However, our initiative to relocate some stores in tourist areas exerted a short-term impact on same store sales.

The house brand product mix in the first half improved from 38.5% to 39.8%, driving an increase in the gross profit margin from 41.4% to 42.2%. However, this improvement was partially offset by higher costs, which in turn partly impacted profitability.

In order to seize the opportunity of weakness in the rental cycle, the Group opened new stores at premium locations in traditional tourist areas to replace stores that had previously been relocated to second line locations due to high rents. The parallel operation of these new and old stores led to additional rental costs, since rental reductions will only be reflected in our financials when the old leases expire. This ongoing process has kept our rental costs uncharacteristically high over the last 12 months.

In addition to these costs, the Group incurred increased advertising and promotional costs to promote new house brands. One-off logistics costs in terms of rentals and manpower were incurred due to the relocation of our Hong Kong warehouse. The relocation aims at consolidating our existing multiple warehouses, enabling automation and enhancing the overall efficiency of our logistics function. Meanwhile, the Group continued to invest in residential area stores and in manpower, with a pay rise being awarded to frontline staff in order to retain talents and enhance morale.

Mainland China

Overall turnover for our Mainland China operations increased by 3.9% in local currency terms to HK$138.3 million, while same store sales in local currency increased 5.0% for the period.

The management team has stabilised and sales have grown due to an improvement in our product offerings. Last year's issue concerning the import of owned brand products is being gradually resolved. The Group therefore began to regain sales and profitability, with overall operational efficiency and effectiveness both improving.

The upgrading of store format, which was launched a few years ago provides a premium image and shopping experience through targeted brand and visual merchandising. This upgrade has now been further enhanced and is showing improving results in store productivity and cost efficiency. We have continued to optimise the Mainland China store network with the closure of isolated underperforming stores in remote regional cities and by clustering new stores in well-managed provincial capitals. These stores are now contributing increased profitability. Meanwhile, we have improved our product offerings by focusing on key performing brands and SKUs and by successfully launching and managing new products.

Singapore

During the period, the turnover for our Singapore operations was HK$98.7 million, a decrease of 2.1% in local currency terms over the previous period.

The restructuring of the management team over the last year is now seeing results. The Group's key measures for this financial year included closing underperforming stores and focusing resources on stores with good potential. While this affected our top line, same store sales growth accelerated to 7.0% in local currency, improvements were also shown in gross profit resulting in reduction of losses. We also upgraded stores with a more attractive image to provide more space to improve the shopping experience, and we placed greater emphasis on the fast growing makeup category and on better zoning.

Underperforming SKUs were dropped and more focus was placed on new products and displays to attract new and young customers. We enhanced training to improve staff morale and skills, and this in turn helped to improve our standard of service. The Group is now in position to cautiously expand our network in Singapore.

Malaysia

The turnover for our Malaysia operations was HK$169.3 million, an increase of 9.2% in local currency terms over the previous period. Same store sales growth rose a modest 1.1% in local currency.

The reason for the conspicuous slowdown in same store sales growth was weaker demand and purchasing power of local consumers amid the rising cost of living as a result of inflation. However, the Group maintained its focus on continuous improvement with a readiness to capitalise on market recovery as and when opportunities arise.

Taiwan

Turnover in the Group's Taiwan business decreased by 11.5% in local currency terms to HK$92.9 million during the period, while same store sales increased 0.8% in local currency.

The restructuring of our management showed some positive results, which helped our same store sales performance to improve. The Group maintained our focus on narrowing losses by lowering costs and enhancing operational efficiency. Domestic consumer sentiment and tourism remained weak due to economic and political factors. However, the spending of Mainland tourists in our stores showed signs of an upturn, which again reflected the strength of the Sa Sa brand amongst Chinese consumers.

E-commerce

Turnover for the Group's e-commerce business amounted to HK$177.1 million, representing a drop of 6.0% over the previous period.

Sales decreased due to over-aggressive and very costly promotions to boost sales in the second half of the previous financial year, an initiative that was not repeated this year. In addition, the minimum spend for free shipping almost doubled from 1 April 2017 onwards. This factor together with price increases led to a decline in sales as compared to the previous period.

Overall, the Group has focused on building a base for sustainable growth. One of the major initiatives has been to reduce the cost of the logistics function and to shorten the time of delivery to customers in order to increase long-term competitiveness. Various projects were launched during the period to develop customer relationship management and content management. We reduced the number of SKUs to improve inventory management, lower inventory costs and enhance operational efficiency.

It is the Group's strategy to work with different popular e-commerce platforms to build the awareness of Sa Sa in Mainland China, to broaden the customer base and increase sales. The Group launched our flagship store on Tmall Global on 28 September 2017, marking a milestone in our digital strategy. We believe a strong online presence will become a key element of our evolution towards providing a seamless shopping experience for our customers.

Brand Management

During the period, the Group's sales mix of own brand and exclusively distributed products, collectively referred to as "house brands", increased from 38.8% to 38.9%.

We accelerated the launch of new house brand products during the period. Although impacted by the earlier political tension between China and South Korea, Korean products are still an important element of our product offerings.

Outlook

Hong Kong and Macau

The Hong Kong retail market showed gradual signs of improvement during the period. This was due to the number of Mainland tourist arrivals stabilising as the impact of the one-trip-per-week restriction was fully absorbed. The Renminbi began to revalue following the previous year's depreciation, while Hong Kong was ranked the most popular travel destination for Mainland China travellers according to data from WeChat.

Among the positive factors in the Hong Kong and Macau tourism and retail market are the opportunities offered by the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge. Preparations are underway to optimise our store network and scale. We aim to capitalise on weakness in the rental cycle to establish more strategic locations to improve our brand exposure and stimulate sales.

We are also increasing the number of shops in residential areas and transport hubs to expand our local market share, including shops near the Mainland border. We will introduce a brand new mobile APP which will enable us to implement customised product recommendations and targeted promotions. Such targeted marketing includes more interactions to stimulate customer loyalty, raise repeat purchase rates and encourage more consumption. All these initiatives are part of our vision for a "New Retail" experience.

We are working towards a more comfortable in store shopping environment, with enticing new products. We will enhance our product displays and gradually develop a more inter-active customer experience aimed at strengthening purchasing intentions. These initiatives will include a more enjoyable product browsing and trial process, thereby enhancing our customers' overall shopping experience.

The Group will launch new exclusive products to meet demand and customer preferences and we will improve the house brand sales mix to increase our gross profit margin. Further enhancements to the shopping experience include the launch of a brand new mobile APP for all customers, as well as upgraded visual merchandising, especially in our makeup zones.

In the third quarter-to-date of FY 2017/18 (i.e. from 1 October 2017 to 15 November 2017), retail sales and same store sales in Hong Kong and Macau increased by 5.8% (FY 2016/17 third quarter: +1.2%) and 0.8% (FY 2016/17 third quarter: -1.6%) year-on-year respectively.

Mainland China

The rapidly growing online retail market in Mainland China has brought pressure to bear on our physical retail stores, while also providing new opportunities for the Group to expand our store network at reasonable rents.

Costs and operational efficiencies are key to our operations in the Mainland. To further improve our operational efficiency and cost structure, we will continue to expand cautiously in regions offering high operational efficiency in order to build critical mass.

We will close underperforming stores in remote cities and concentrate our operations in well-managed provincial capitals. These measures will in turn increase scale within cities and enhance operational efficiency and profitability at store level while raising the profitability of small clusters.

The Group will sharpen the efficiency of our warehouse operations. We will improve the process for overseas imports, shorten the delivery lead-time all the way to our shops, accelerate new product arrivals and store replenishment, and reduce inventory levels and overall logistics costs. In addition, we will continue to roll out our new store image and strengthen our training for the Mainland staff to provide an enhanced shopping experience and attract more traffic, especially younger customers. We will follow market trends closely and adjust our product portfolio accordingly.

Singapore, Malaysia and Taiwan

In Singapore, the Group will continue to localise our management team and launch more incentives to improve staff morale, management effectiveness and the quality of work. We will optimise our store display and free up more space to enhance the shopping experience. Visual merchandising will be improved, especially in the makeup zone, to broaden our customer base among the younger generation. We will resume the pace of expansion, albeit cautiously, with the goal of achieving breakeven as soon as possible.

In Malaysia, we are the leading beauty specialty store in terms of number of stores and coverage. In recent times consumer sentiment has shown signs of a slowdown, and we are therefore implementing a comparatively conservative development strategy. However, we will continue to adjust our product portfolio and services to accelerate our penetration of the local Malaysian market.

In Taiwan, despite an improving sales performance after the re-organisation of the management team, we are still facing challenges as we strive to raise our competitiveness and at the same time implement cost controls to achieve breakeven. We will improve our product offerings and local operations to achieve more effective management, with the aim of reducing our operating losses in the near future.

E-commerce

The Group's key strategy for our online platform is to explore the opportunities of collaboration with other well-known third-party e-commerce platforms in order to acquire new customers at a relatively lower cost.

We will improve inventory management by optimising the inventory flow and improving the launching of new products. Moreover, we will further optimise the operation of the Free Trade Area Warehouse in the Mainland, thereby reducing logistics costs and improving profitability. We will upgrade our mobile APP to provide customers with multi-channel access points and a more satisfying shopping experience. The backend infrastructure of our mobile APP will also be enhanced to ensure another effective touch point in our customers' journeys.

A new kind of shopper is evolving: a smart and well-informed customer who is constantly changing offline and online behaviour. The Group aims to enhance customer interaction through understanding both offline and online customer behaviour. This will help us to better serve non-local customers who have visited our physical stores as well as to provide online services to those who have left Hong Kong to return home.

Brand Management

In order to adapt to fast changing market trends, the Group will accelerate new product launches. We will continue to build closer partnerships with our suppliers to enhance the image and promotion of exclusive brands.

We will strengthen our makeup product portfolio and displays, and fill in product opportunity gaps according to function, selling and price point analysis. Overall, we will reinforce our digital media promotions and raise the profile of exclusive brands in both Hong Kong and Mainland China.

By improving our management of the product life cycle, we will eliminate low productivity SKUs, allow shelf space to be dedicated to new products and existing products with high productivity, reduce product management and storage costs, free up cash resources and reduce the risk of product obsolescence.

Human Resources

As at 30 September 2017, the Group had a total workforce of around 5,000 employees. Staff costs for the period ended 30 September 2017 were HK$559.0 million.

The Group always regard human capital as one of our most important assets. We treasure our people and we take good care of them. Our competitive remuneration and benefit package demonstrate our commitment to rewarding employees for their excellence in job performance and results, and for their professionalism.

We advocate work-life balance that fulfils both professional and personal commitments. Caring is one of our core values and employee wellness is our prime concern. The Staff Recreation Committee (SRC) is an established mode of communication between the management and the employees. To encourage “Wellness at Work”, SRC members are elected by their fellow colleagues for a 2-year term. We offer a wide range of work-life balance activities, such as physical exercise, interest groups, eco-tours and sporting events. Not only do we care for the health and wellness of our employees, we also look after their families.

We cultivate our people learn and grow by being a workplace that retains talents and builds talent pool for future succession plan. We develop potential future leaders by leveraging our Trainee Programs: Management Trainee Program, Junior Beautician Trainee Program and Sales Trainee Program.

Financial Review

Capital Resources and Liquidity

As at 30 September 2017, the Group’s total equity funds amounted to HK$2,343.3 million including reserves of HK$2,043.9 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$1,197.7 million. The Group’s working capital amounted to HK$1,910.7 million. Based on the Group’s steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year.

During the period, the majority of the Group’s cash and bank balances were in Hong Kong dollar, Malaysian Ringgit, New Taiwan dollar, Renminbi, Singapore dollar, Swiss Franc and US dollar and deposited in reputable financial institutions with maturity dates falling within a year. This is in line with the Group's treasury policy to maintain liquidity of its funds and continue to contribute a relatively stable yield to the Group.

Financial Position

Total funds employed (representing total equity) as at 30 September 2017 were HK$2,343.3 million, representing a 5.6% increase over the funds employed of HK$2,219.2 million as at 31 March 2017.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 30 September 2017 and 31 March 2017.

Treasury Policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management with no borrowings during the period. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong dollar, US dollar, Euro or Renminbi. Based on purchase orders placed, the Group enters into forward foreign exchange contracts with reputable financial institutions to hedge against foreign exchange exposure arising from non-Hong Kong dollar or non-US dollar denominated purchases. These hedging policies are regularly reviewed by the Group.

Charge on Group Assets

As at 30 September 2017, no asset of the Group was under charge to any financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 30 September 2017.

Capital Commitments

As at 30 September 2017, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$105.9 million.

Conclusion

Sa Sa has a long track record of delivering outstanding success in all economic climates and in the face of the most severe headwinds and difficulties. We are confident that we can progressively strengthen our competitiveness in the coming years and transform the challenges we meet into opportunities.

The flexibility of our business model, our ability to rapidly adapt to new circumstances, markets and trends, and the vision of our leadership team all support our position as a leading provider of beauty products in the Asia Pacific – a position that we believe will continue to strengthen in the years to come.

INTERIM DIVIDEND

The Board has declared an interim dividend of 3.5 HK cents (2016: 5.0 HK cents) per share with no special dividend (2016: 4.0 HK cents per share) for the six months ended 30 September 2017, payable to shareholders whose names appear on the register of members of the Company on Monday, 11 December 2017.

The interim dividend will be payable in cash, with a scrip dividend alternative which will give shareholders an opportunity to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs. The scrip dividend alternative will also benefit the Company to the extent that such cash as would otherwise have been paid to shareholders who elect to receive the dividends in scrip, in whole or in part in lieu of a cash dividend, will be retained for use by the Company as working capital or to fund new investments. To facilitate shareholders' reinvestment of their dividends into the Company's shares, the Board has resolved to offer a five (5) per cent discount on the subscription price for eligible shareholders who elect to receive the dividends in scrip. The new shares to be issued pursuant to the scrip dividend alternative are subject to The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued. Further details will be set out in a circular which will be despatched to shareholders together with an election form in the middle of December 2017. The interim dividend is expected to be paid on or around Tuesday, 23 January 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 8 December 2017 to Monday, 11 December 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all valid documents for the transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 7 December 2017.

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2017, there was no buy-back, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Company believes that its business can only be sustainable and beautiful to its stakeholders in the broadest sense when guided by a strong corporate governance culture. The Company is committed to maintaining high standards of corporate governance and strives to integrate the principles of good corporate governance practices into our operations, making corporate governance part of our culture.

Compliance with the Corporate Governance Code ("CG Code")

Throughout the six months ended 30 September 2017 and up to the date of this announcement, the Company has complied with all the code provisions in the CG Code except code provision A.2.1 recommending the separation of the roles of chairman and chief executive. In respect of the one deviation from the CG Code, the roles of the chairman and chief executive officer are currently held by the same individual, namely, Dr KWOK Siu Ming Simon. The division of responsibilities between the two roles are, however, clearly established and set out in writing in the respective terms of reference for the chairman and the chief executive officer. Dr Kwok, being one of the founders of the Group, has superior knowledge of our business and is a veteran in the retail industry. The board is therefore of the view that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximises the effectiveness of our operations. We will, nevertheless, periodically review the Board's structure going forward in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate.

For more information on our corporate governance practices, please refer to the Company's annual report 2016/17 published in July 2017.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted a code regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code. This code applies to all directors and certain relevant employees who, because of their office or employment, are likely to be in possession of unpublished inside information in relation to the Company or its shares. Having made specific enquiry of all directors and the relevant employees, all of them have confirmed that they have complied with the provisions set out in the code throughout the reporting period.

The interim report of the Company for the six months ended 30 September 2017 will be dispatched to the shareholders and published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in the middle of December 2017.

On behalf of the Board, I would like to extend my thanks and appreciation to all our staff for their hard work and commitment and to all of our customers, suppliers and shareholders for their continued support.

By order of the Board
Sa Sa International Holdings Limited
KWOK Siu Ming Simon
Chairman and Chief Executive Officer

Hong Kong, 23 November 2017

As at the date of this announcement, the directors of the Company are:

Executive Directors
Dr KWOK Siu Ming Simon, *SBS, JP* (Chairman and Chief Executive Officer)
Dr KWOK LAW Kwai Chun Eleanor, *BBS, JP* (Vice-chairman)
Dr LOOK Guy (Chief Financial Officer)

Non-executive Director
Ms LEE Yun Chun Marie-Christine

Independent Non-executive Directors
Ms TAM Wai Chu Maria, *GBM, GBS, JP*
Ms KI Man Fung Leonie, *GBS, JP*
Mr TAN Wee Seng